NOMINATION OF PHILIP ABRAMS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

THE NOMINATION OF

PHILIP ABRAMS TO BE AN ASSISTANT SECRETARY IN THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND FEDERAL HOUSING COMMISSIONER

September 14, 1982

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NOMINATION OF PHILIP ABRAMS

TUESDAY SEPTEMBER 14, 1982

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9 a.m. in room 5302 of the Dirksen Senate Office Building; Senator Jake Garn, chairman of the committee, presiding.

Present: Senators Garn, Chaffee, and Dodd.

OPENING STATEMENT OF CHAIRMAN GARN

The CHAIRMAN. The hearing will come to order.

Today we welcome Mr. Philip Abrams to hearings on his nomination by President Reagan to be Assistant Secretary of the Department of Housing and Urban Development, and to be Federal Housing Commissioner.

Mr. Abrams has a limited, passive ownership interest in some apartment units in Massachusetts which are State-financed and non-HUD insured, but which receive some HUD assistance under section 236. Mr. Abrams has and will recuse himself on matters dealing with such units, which compose less than 1 percent of the units HUD oversees. He has not divested himself of these units because his partnership agreement forbids it and because he would sacrifice tax incentives in extreme punitive amounts.

The Office of Government Ethics and the General Counsel of HUD have issued opinions that Mr. Abrams' limited interests are not in violation of Federal conflict of interest statutes and regulations when accompanied by recusal on the small proportion of issues before HUD which relate to such units as those in which he holds an interest.

I am satisfied that Mr. Abrams has no real or apparent conflict and that he will continue ot serve our Government honorably, capably, and fully as he has in the past.

Mr. Abrams, we're happy to have you with us today and if I could have you stand and sworn before you testify.

Do you swear the testimony you're about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ABRAMS. I do.

The CHAIRMAN. Do you have an opening statement that you wish to make?

Mr. ABRAMS. I do, Mr. Chairman.

The CHAIRMAN. Please proceed.

STATEMENT OF PHILIP ABRAMS

Mr. ABRAMS. Mr. Chairman, I am pleased to be here today as the nominee for Assistant Secretary for Housing—Federal Housing Commissioner within the Department of Housing and Urban Development. It's a great honor to be nominated by President Reagan for this important post. It's also a great honor to be asked to continue to work directly for Secretary Pierce, a brilliant and dedicated public servant and one of the finest men I have ever met. I cherish his continued confidence in me.

During the past 17 months, I have participated in the formulation and administration of housing policies which reflect a significant change in the Federal Government's role. I fully support the change in emphasis away from the construction of new housing and to a utilization of our existing housing stock. More importantly, I am convinced that the most important housing program carried out by this administration has been the economic recovery program which has brought inflation under control and interest rates within sight.

While much has been accomplished already by this administration much more remains to be done. In the 1980's, we expect 17 million new families to be formed. In order to meet their housing needs, we must target our programs and continue to search for the most beneficial ways to spend our limited economic resources so that we can better help more of those who are truly in need and still stay within our means.

Another major objective that I am committed to is deregulation in the housing industry, particularly in our programs at HUD. Although we have already accomplished many of our goals in this area, much regulation remains. These efforts, successfully completed, will make housing more affordable for all Americans.

Because of my background as a contractor and developer in New England, I believe that I understand the problems and challenges of the housing industry. I look forward to adding my experience to that of the other fine administrators at HUD, and to joining with them in working to find the best possible solutions to the housing problems our country faces today.

I have been privileged to work with several of the Members of Congress and this committee over the past year and a half and I am looking forward to continuing our dialog over the coming months.

Thank you.

The CHAIRMAN. Thank you very much. It is my understanding that you have resigned all officerships and directorships in and will take no part in the management of the construction companies of Abreen, Inc., Abreen Corp., J. Abrams Construction Corp., and Rivergate Construction Co., and that they will do no HUD-financed work during your tenure at HUD. Is that correct?

Mr. ABRAMS. That's correct.

The CHAIRMAN. I also understand that your partnerships in Mahonoy Building Associates, Norristown Building Associates will do no HUD-financed work during your HUD tenure and that you will take no part in their management. Is that correct?

Mr. ABRAMS. That's correct.

The CHAIRMAN. I understand that you own a limited partnership interest in Roberts-Amherst and Roberts-Milford Associates, that are State-financed projects not insured by HUD, which receive some section 236 assistance.

Will you recuse yourself on any matters dealing with units of that type?

Mr. ABRAMS. I have and I will continue to do that.

The CHAIRMAN. Mr. Abrams, I have no further questions for you. You have worked for HUD for a good deal of time now. I do understand that other members of the committee will be here on the minority side and do have questions to ask.

Senator Chafee has just arrived and I would ask him if he has any comments or questions that he would like to ask at this time.

Senator CHAFEE. Well, thank you, Mr. Chairman. First, I think that Mr. Abrams has done an excellent job while he's filled this post and it's my intention to support him.

I have a couple of questions, Mr. Abrams. In view of the elimination of the section 8 housing, do you envision a continued role for HUD in housing stimulus or is HUD just going to become a mortgage agency overseeing FNMA and GNMA?

Mr. ABRAMS. Well, I think that the role of HUD and the Office of Housing's role will turn to being an insurer of housing, particularly in areas where the private sector isn't adequately serving the needs of America's housing.

As far as first-time home buyers and the need for low downpayment mortgages on low- and moderate-priced houses, I think that there is a need for the FHA insurance programs to provide the needed Federal intervention to allow for those homeowners to have the opportunity of homeownership. The same in the multifamily area, where there has been no real visibility of the private mortgage insurance industry. There is a need for the continuation of the FHA insurance program. particularly in the inner cities, to insure that multifamily housing can be built as interest rates come down and projects become feasible.

Senator CHAFEE. I see. What incentives do you see being developed currently to get builders back into housing?

Mr. ABRAMS. Well, again, I think that interest rates are a tremendous part of the equation. It's difficult to overcome them with other initiatives. But I believe that the most important thing that HUD is doing is the joint venture for affordable housing that the Secretary initiated within the last year. In cooperation with the National Association of Home Builders, we currently have 12 sites throughout the country where single-family, and some multifamily dwellings, are being built in cooperation with State and local governments where the relaxation of regulations have allowed for the construction and the use of a lot of innovative techniques, both in construction and in zoning and land use. They have produced their first tangible result in Nebraska in the sale of a house for $44,000.

But in all of these sites throughout the country, a range of housing, with prices from the mid-$30's to the mid-$50's, proves that when all the governments get together and allow the private sector to do its role, perform its role, that we can build affordable housing. So that we can open up opportunities for Americans as interest rates come down to have home ownership opportunities.

Senator CHAFEE. That's rather interesting. I didn't know about that venture that you were describing. Any time you get a house built for $44,000, I presume it's a fairly decent house.

Mr. ABRAMS. And it's a nice house, too.

Senator CHAFEE. That's great progress. Well, thank you very much, Mr. Abrams. I want to say, Mr. Chairman, that it's been my privilege to have worked with Mr. Abrams while he's been holding down this position and he's done a good job.

The CHAIRMAN. I would agree. I think he has, too. I believe while we find if other Members wish to come and ask questions, that we would simply recess the hearing for 5 or 10 minutes.

[Brief recess.]

The CHAIRMAN. The committee will come to order. May I first introduce for the record some letters of support for Mr. Abrams: The first, a strong endorsement for this position from the National Leased Housing Association; the National Council of Negro Women, Inc.; the National Housing Rehabilitation Association; the Associated Builders and Contractors, Inc.; and the Federal Council on the Aging.

I ask unanimous consent that those letters be included in the record.

[Material received for the record follows:]

NATIONAL LEASED HOUSING ASSOCIATION,
Washington, D.C., July 26, 1982.

Hon. JAKE GARN,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR GARN: I am submitting this letter on behalf of the National Leased Housing Association in support of the nomination of Philip Abrams to be Assistant Secretary of Housing for the Department of Housing and Urban Development.

During the past year and a half, NLHA has worked very closely with Mr. Abrams on many matters affecting the Section 8 program in particular, and rental housing in general. We have been impressed by Mr. Abrams' candor, willingness to listen, and concern with the problems of the multifamily housing industry during these difficult times. Mr. Abrams brings to the office a unique combination of strong private industry experience and a deep concern with public issues. Although we do not always agree with Mr. Abrams on every policy issue, we respect him as an able representative of the Administration's point of view.

We urge that your committee confirm Mr. Abrams as soon as possible so that he can fully assume this very important HUD post. He is a top public servant in the best sense of the word.

Thank you very much for your consideration in this matter.

Very truly yours,

CHARLES L. EDSON,
Counsel.

NATIONAL COUNCIL OF NEGRO WOMEN, INC.,
Washington, D.C., August 16, 1982.

Senator JAKE GARN,
Chairman, Banking, Housing, and Urban Affairs Committee,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the National Council of Negro Women, we endorse and welcome the appointment of Philip Abrams to be the Assistant Secretary-Federal Housing Commissioner of the Department of Housing and Urban Development.

We first met Mr. Abrams in July 1981 after writing to Secretary Pierce about the history of the NCNW's efforts in working with HUD for more than twenty years to promote decent housing for low-income families through providing homeownership opportunities for them. We believe that the incentives of owner-

ship develop the pride and dignity of the occupants that rental housing, public or private, fails to inspire. We presented our organization's interest in renewing this effort and in expanding it under this Administration.

We also expressed our interest in using our strong and active individual Councils throughout the country to try to help meet the increasing needs of the elderly by any means available to HUD. We discussed with Mr. Abrams specific ideas for meeting the increasing needs of the elderly and handicapped through the use of the incentives of an ownership interest on the part of the beneficiaries and their families. In our view, substantial segments of the housing crisis could be better addressed through homeownership incentives than by relying primarily on rental housing.

Mr. Abrams has been supportive of our views and efforts to try to create retirement communities involving ownership interests by the retirees or their families. He has also been supportive of our efforts to convert public housing and other HUD assisted troubled rental projects into ownership-type housing, such as cooperatives. We look forward to working with him.

Sincerely,

DOROTHY I. HEIGHT,
National President.

NATIONAL HOUSING REHABILITATION ASSOCIATION,
Washington, D.C., August 17, 1982.

Hon. JAKE GARN,
U.S. SENATOR,
DIRKSEN SENATE OFFICE BUILDING,
Washington, D.C.

DEAR SENATOR GARN: On behalf of the Officers and Directors of the National Housing Rehabilitation Association, I am writing to recommend the confirmation of Philip Abrams as Assistant Secretary of the U.S. Department of Housing and Urban Development.

During interaction with Mr. Abrams in his present capacity as General Deputy Assistant Secretary, we have found him knowledgeable, forthright and sensitive to the unique needs of older urban areas. Mr. Abrams possesses a strong belief in the ability of private sector concerns such as the member firms of this association to revitalize mature neighborhoods and is quick to recognize the administrative flexibility required for their success.

We feel that Mr. Abrams would be an able and effective administrator of federal housing programs and endorse his nomination.

Sincerely,

FRANCIS D. BURKE,
President.

ASSOCIATED BUILDERS AND CONTRACTORS, INC.,
Washington, D.C., September 8, 1982.

Hon. JAKE GARN,
Chairman, Committee on Banking, Housing, and Urban Affairs,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the Associated Builders and Contractors, I am proud to endorse Philip Abrams for the positions of Assistant Secretary of Housing and Urban Development and Federal Housing Commissioner. A long-standing member and former president of ABC, Phil has served in a number of leadership positions and has long been a supporter of the free enterprise system. With his vast experience in community and statewide housing projects, coupled with his immediate experience as Deputy Assistant Secretary at HUD, I believe Phil will be an excellent Assistant Secretary for this agency.

Through his personal and professional experience, I believe that Phil Abrams will represent the Department of Housing and Urban Development with the utmost integrity and will be a credit to this Administration and our nation.

I urge your early confirmation of Mr. Abrams. Please include a copy of this letter in the Committee hearing record. Thank you again.

Sincerely,

MICHAEL M. SCHOOR,
Director, Government Relations.

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FEDERAL COUNCIL ON THE AGING,
Washington, D.C., September 13, 1982.

Hon. JAKE GARN,
Chairman, Committee on Banking, Housing, and Urban Affairs,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: On the occasion of the confirmation hearing for Mr. Philip Abrams nominated to be Assistant Secretary of HUD for Housing/FHA Commissioner, I wish to express my strong endorsement and that of Council Chairman Attard of Mr. Abrams for the position.

At the December 1981 White House Conference on Aging, I served as Vice Chairman of the Housing Alternatives Committee and had the occasion to work closely with Mr. Abrams and his staff in the development of a set of policy recommendations that should serve as an excellent basis for discussions for the next several years.

I now serve as Chairman of the Housing Committee of the Federal Council on the Aging. Again, we have called upon Mr. Abrams and his staff for assistance and the same has been openly and freely offered. This type of intergovernmental coordination is a critical component in the development of sound policy.

At a time when housing policy has been undergoing radical changes, Mr. Abrams has been a strong voice within the Administration for the development of elderly housing through the Section 202 program and has rendered several decisions in his post as General Deputy Assistant Secretary that have assured prompt development at the lowest feasible cost to the government.

On behalf of Chairman Attard and myself, we enthusiastically endorse Phil Abrams for the position of Assistant Secretary of HUD for Housing/FHA Commissioner and urge the Committee to favorably report his nomination to the Senate for confirmation.

Sincerely,

JAMES N. BRODER.

COUNCIL OF STATE HOUSING AGENCIES,
Washington, D.C., September 8, 1982.

Hon. JAKE GARN,
Chairman, Committee on Banking, Housing and Urban Affairs, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR GARN: On behalf of the Council of State Housing Agencies, a national organization representing 52 state chartered housing finance agencies in 46 states, the city of New York, Washington, D.C., and Puerto Rico, I would like to express our support for the nomination of Philip Abrams as Assistant Secretary for the Department of Housing and Urban Development.

Our experience with Phil over the past two years has been quite productive. As you are well aware, the industry worked through the issue of the Financing Adjustment together with his cooperation and assistance, and your leadership. Approval of the FA regulation has enabled thousands of housing units to move to construction. Without the cooperation of Phil Abrams at HUD, the FA may not have become a working reality. That experience truly reflected the spirit of compromise that must exist between Congress, the Administration and the industry in order to effectively resolve the issues.

Among other issues of concern to state housing finance agencies are cost containment and Section 8 transfer authority. We have found Phil willing to work towards constructive solutions to these complex issues as well.

We believe that given his proven ability and willingness to follow through and cooperatively resolve the important issues of our day that we can work together with Congress and with Phil Abrams in the capacity of Assistant Secretary for Housing to achieve desirable results for housing. We, as an organization, are particularly interested in developing a workable, less expensive housing production program for the future—possibly improving on the rental rehab structure proposed by the Administration and endorsed by your committee. We have developed the relationships necessary to achieve these goals and we urge your support for Phil Abrams's nomination.

We look forward to continuing this productive working relationship and remain. . . .

Sincerely,

THOMAS W. WHITE,
Executive Vice President.

The CHAIRMAN. Senator Dodd?

Senator DODD. Well, thank you very much, Mr. Chairman, and I apologize to you and to our distinguished witness this morning for being a few minutes late in getting over here. But I will be very, very brief. First of all, let me congratulate you on your nomination and wish you well.

Mr. ABRAMS. Thank you, sir.

Senator DODD. I gather that a couple of questions have been already asked dealing with the voucher system and some of the proposals that we've offered already in this committee as a way of dealing with the rental housing production problem.

But let me tell you about a more fundamental problem that I seem to sense and maybe you can address it in the broad term and then, Mr. Chairman, in order to expedite things, I'll submit a series of questions. I intend to support our nominee this morning and I don't want to delay this any longer than necessary.

But one of the problems I think I sense, anyway, in my very brief time here in the Senate, having come into the Senate simultaneously with the President and having a deep interest in the issues of housing, it seems to me that we really lack the kind of advocacy for housing that we need. I'm not asking you or the President to necessarily agree with what I would like to see done, but there seems to be a lack of understanding, other than the employment side of things, where we've done something on that already, but the need for rehab. In a lot of our older cities, a tremendous amount could be done to increase the number of units available. And you, obviously, are as well aware as I am of the vacancy rates that are going on in major cities across this country and what kind of long-term problems that creates given the length of time necessary to increase production.

It isn't like energy where you can rush in some energy supplies or food or health care. But on the basic other essential of housing, there is a lot of time necessary to catch up with the number of units. And, as I say, rather than getting into some of these questions that I gather have already been asked, let me just urge you, if I can, to do everything in your power to push housing as an important, extremely important, issue, because I don't sense that there has been a real advocate there. In fact, it's been more of an opposition than support for trying to do something other than the voucher system.

Mr. ABRAMS. Well, I think that the Secretary has taken an affirmative role in advocating a solution particularly the type of housing problem that you were just addressing in terms of not only the rental rehabilitation block grant program, which your committee has added to and included in the authorization bill this year, but I think more importantly, the redoing and the rewriting of the regulations and the program on 223f, which provides for refinancing of existing apartment buildings. That's going to have a great deal to do with stimulating the private sector to start making investments in these buildings that are being underutilized or that are substandard, so that we can get the housing in the cities back up to a condition where you and I will both be satisfied.

I think you'll find strong advocates for those types of programs within the Department following the Secretary's leadership to date.

Senator DODD. Well, I appreciate your comment and I would expect that response. I would just suggest to you that on a number of occasions, when alternatives have been offered, and I'm not talking about large subsidies. I, for one, would like to see significant changes in that section 8 program. The bill, when it comes due on that program, is going to be staggering in its proportions. We've got to come up with vehicles to not only increase production, but deal with the affordability problem, which the administration is doing something on. I would like to see them do more, but the whole question of production, of how we increase those units, is something that I don't feel that we've really done enough on and, in fact, in a couple of areas where we've made some suggestions, there's been a lot of opposition to it.

In the last year, on the tax bill, I offered an amendment to change from an amortization program to allowing for actual deduction of construction period costs, which was a problem for a lot of particularly small builders. That wasn't dealing with the affordability problem, but it was dealing with the production problem. And the revenue loss would have been insignificant, quite frankly, and the likelihood that it might have actually increased some production and put some people back to work certainly outweighed the potential revenue loss.

So there was a lot of opposition to even that idea. That would be what I would consider to be a classic supply sider's idea—to encourage people through the tax structure to get involved. I wasn't talking about a subsidy, then, and yet, had problems with it.

So it isn't just a question of revenue expenditures or revenue losses, however insignificant. There just doesn't seem to be—I don't sense yet this someone pushing on the inside and saying, look, we've got a real production problem. We've got vacancy problems.

Come up with any ideas you want, but we've got to do something here because we've got, I think, a very volatile situation on our hands if the vacancy rates continue to drop as they do. It's the kind of thing that contributes to violence. Housing has historically been an ignition point for that kind of urban unrest that we've seen in the past and we're falling way behind. It's going to take us, even if we were to start today, months, if not years, to get those numbers back up again.

So I appreciate your response to my question initially and I'll program on 223(f), which provides for refinancing of existing apart- just state it again: We need a real advocate pushing on this issue.

So, again, I congratulate you. I have some questions I'll submit. If they're duplicative, just don't bother with them and you can refer to some other place that they've been answered.

Mr. ABRAMS. It will be my pleasure to answer them.

Senator DODD. Excuse me 1 second. Senator Sasser, if I may, Mr. Chairman, had a question. I won't submit this to you. I'll read this one. It's a little difficult to submit. It may be difficult to read here. Wait a second.

Senator Sasser had a long-standing commitment elsewhere this morning and he did have a series of questions that he just wanted to submit for the record. So I'd ask unanimous consent that his questions can be submitted as well.

[Statement of Senator Sasser follows:]

STATEMENT OF SENATOR SASSER

Senator SASSER. Mr. Abrams, as the Assistant Secretary for Housing you will be the person most responsible for making the day-to-day housing policy decisions for the administration. So far this administration has exhibited a significant lack of interest in the dire situation facing the housing industry in this country. That industry is currently in the throes of an economic depression and there are no indications that the situation will improve any time soon.

The average American family simply cannot afford to buy a home today and the level of mortgage foreclosures is the highest since the Great Depression. One general question I would like for you to answer is: What steps does this administration intend to take, or do you propose to offer, to get the housing industry out of this mess? And what evidence do you have to suggest that the housing industry will recover in the near future?

One specific policy which I would like you to address is the HUD proposal to reorganize its field offices. The proposed reorganization will have an adverse impact upon the Nashville HUD office. By transferring the multifamily operations of the Nashville office to Knoxville, the reorganization will effectively remove the HUD presence from an area of the State that utilizes two-thirds of the multifamily function. By moving this function to Knoxville HUD is merely shifting the burden and costs onto the people who do business with the agency. The reorganization will effectively reduce the HUD Nashville staff by some 60 percent.

A recent cost/benefit analysis performed by the Under Secretary for Field Coordination at HUD contains serious errors and omissions of facts and statistics according to a reanalysis performed by a number of individuals familiar with HUD's operations in Tennessee. This reanalysis indicates that a substantial increase in travel costs for housing personnel was not factored into the assumptions underlying the cost analysis. Also, the reorganization would entail either increased public housing subsidies or decreased services to public housing tenants because of the additional costs involved in traveling to Knoxville.

It seems that proposals to proceed with the reorganization would be premature in light of the serious questions raised by this reanalysis. Therefore, I am requesting that the Department delay the relocation until an independent, separate cost/benefit analysis can be performed. I am asking you to relay this message to Secretary Pierce when you return to the Department today. I will be sending a letter to the Secretary to this effect by the end of the day.

Meanwhile, there are several questions regarding the HUD analysis which I would like you to take back to HUD and have answered.

Senator DODD. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Dodd. Mr. Abrams, I know of no other questions for you today in the hearing. However, there are other Senators who have indicated that they may wish to send some questions to you for your response in writing.

Do you have anything else that you would like to add?

Mr. ABRAMS. No. I appreciate the courtesy of your staff and the committee in arranging the hearing, and I look forward to working with you.

The CHAIRMAN. Thank you very much and we'll expedite as rapidly as we can the process to get your name before the Senate.

Mr. ABRAMS. Thank you.

Senator DODD. June of 1983, that means. [Laughter.]

The CHAIRMAN. The hearing is adjourned.

[Whereupon, at 9:28 a.m., the hearing was adjourned.]

[Biographical material on the nominee and answers to subsequent written questions of committee members follow:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: ABRAMS (Last) PHILIP (First) _____ (Other)

Position to which nominated: Assistant Secretary for Housing—Federal Housing Commissioner

Date of nomination: July 8, 1982

Date of birth: 13 November 1939 (Day) (Month) (Year)

Place of birth: Boston, Massachusetts

Marital status: Married

Full name of spouse: Rosalyn Merle Heifetz Abrams

Name and ages of children: Mark Solomon Abrams (9)
Jonathan Samuel Abrams (7)
Daniel Jason Abrams (4)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Brookline High School (MA)	1953-57	N/A	
Williams College (MA)	1957-61	B.A.	1961
Northeastern Univ. (MA)	1965-66	N/A	

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Engineering News - Record (McGraw-Hill)
One of Construction Industry's "Men Who Made Marks"
1975 and 1976

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Associated Builders & Contractors, Inc. (Member since 1967)	Nat'l President	1975
"	President, New England Yankee Chapter	1970
"	Assistant Treasurer	1971
"	Treasurer	1972
"	First Vice-President	1973-74
"	Executive Committee	1971-76
"	Chmn, Legislative Committee	1977

** (CONTINUED ON PAGE 2a) **

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

1. Construction Work: Poley Abrams Corp., 45 Bartlett Crescent, Brookline, MA; Jun 61-Nov 61
2. Officer; U.S. Navy; USS Enterprise; Nov 61-Jan 65
3. Construction Work: Poley Abrams Corp., 45 Bartlett Crescent, Brookline, MA; Jan 65-Aug 66 (posn: Superintendent & Project Mgr.)
4. Treasurer; Abreen Corp., Brookline, MA Aug 66-Mar 81
5. General Deputy Assistant Secretary--Deputy Federal Housing Commissioner; U.S. Dept of HUD; Washington, DC; Mar 81-present

ABRAMS, Philip

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

(continued)

Organization	Office held (if any)	Dates
Associated Builders & Contractors, Inc.	National Director	1980-81
American Institute of Constructors	(member)	1972-pres.
Associated General Contractors of America, Mass. Chapter	(member)	1972-1981
National Construction Industry Council	Chairman	1976-78
National Defense Executive Reserve (Dept. of Commerce)		1980-81
Wellesley (MA) Lodge, AF&AM		1970-pres.

** (CONTINUED ON PAGE 2b) **

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

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Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

	Organization	Office held (if any)	Dates
(continued)	Foundation for Brookline Housing	Director	
	Shawmut Credit Union, Boston, MA	Director	1973
	B'nai B'rith Architects-Engineers Lodge	Secretary	

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

ABRAMS, Philip

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Governor Sargent's Advisory Committee on the Construction Industry Member, 1971-72

Brookline Redevelopment Authority, Member (Governor's Appointee), 1971-74

Governor King's Transition Team, Exec. Office of Community Development, Member, 1978

Selective Service Board, Brookline, Mass.

Nonunion Construction Wage and Price Control Board during President Nixon's Wage and Price controls

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

a. Newton, Mass. Republican City Committee, Member, 1978 to 1981.

Newton, Mass. Republican City Committee, Executive Commiteee Member 1978-1981.

Newton, Mass. Ward 5 Republican Committee, Chairman, 1980-81

b. Worked on campaigns for:
Martin Linsky - Republican nominee; Mass. Fourth Congressional District (fundraising; campaign worker)

** (CONTINUED ON PAGE 3a) **

ABRAMS, Philip

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

b. (continued)

Arthur Mason -	Republican candidate; Mass. Fourth Congressional District (fundraising; campaign worker)
Dick Jones -	Republican candidate; Mass. Fourth Congressional District (fundraising; campaign worker)
Avi Nelson -	Loser to Sen. Brooke in Mass. Republican Primary (fundraiser; campaign worker)

Fourth Congressional District Caucus to select Reagan delegation to Republican Convention in 1980

ABRAMS, Philip

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

Governor Reagan - $1,000 (1976)

ABC Political Action Committee - $1,000 (1976-1979)

Linsky for Congress - $1,000 (1972)

Nelson for Senate - $1,000 (1978)

Mason for Congress - $1,000 (1980)

Hatch for Governor - $1,000 (1980)

Republican Senate House Dinner - $1,000 (1981)

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet) I have been serving as General Deputy Assistant Secretary for Housing since March 1981 including responsibilities of the Assistant Secretary since March 1982.

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I have resigned all corporate and association offices but retain stock and partnership interests in several closely-held businesses. (SEE ATTACHMENT)

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I will probably resume role as a construction company executive.

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

ABRAMS, Philip

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

I am on leave of absence from Abreen Corp. which continues to furnish and bill me for life and health insurance. Also, (SEE ATTACHMENT)

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

SEE ATTACHMENT

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

SEE ATTACHMENT

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

- Against *Common Situs* Picketing
- For Repeal or Reform of Davis-Bacon Act
- Against Labor Law Reform Bill
- For Amendments to Hobbs Act
- For establishing a Federal office of construction at Commerce Dept.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

SEE ATTACHMENT

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

I am a joint defendant in a civil suit requesting a cash reserve for potential claims on a construction project. Since the suit was filed, my former company was successful in winning an arbitration award which obviates the suit.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

ATTACHMENT TO STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Philip Abrams

I will retain the following financial interests which are, or could be, related to HUD or its programs:

1. 50% stockholder in Abreen Corp. (construction)

2. 50% stockholder in Abreen, Inc. (construction)

3. 50% stockholder in J. Abrams Construction Corp.

4. 50% stockholder in Rivergate Construction Co., Inc.

5. General partner in Mahanoy Building Associates (construction)

6. General partner in Norristown Building Associates (construction)

7. Limited partner in Roberts-Amherst Associates (owns state financed project which receives interest reduction payments and rent subsidies under §236 of the National Housing Act).

8. Limited partner in Roberts-Milford Associates (owns state financed project which receives interest reduction payments and rent subsidies under §236 of the National Housing Act).

9. Note from Lawrence Green (other 50% stockholder in Abreen Corp.) financing sale of land in Salem, New Hampshire.

The four corporations listed as items 1-4 will do no HUD-financed work during my HUD service.

The two partnerships listed as items 5 and 6 will do no new work (HUD-financed or otherwise) and I will take no part in their management during my HUD service.

With respect to the two partnerships which own HUD-subsidized projects, as a limited partner I will have no role in their management and mere ownership is not prohibited by HUD regulations. In addition, I have been advised that, under 18 USC §208, I may not act in any matter which may have a direct and predictable outcome on the financial interest of these partnerships. I have instructed my staff to bypass me on such matters.

Mr. Green will continue to develop HUD multifamily projects independently of me.

Philip Abrams

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY FOR
HOUSING – FEDERAL HOUSING COMMISSIONER

IN REPLY REFER TO:

September 24, 1982

Honorable Alan Cranston
United States Senate
Washington, D.C. 20510

Dear Senator Cranston:

Thank you for your letter of September 22 regarding my nomination as Assistant Secretary for Housing/FHA Commissioner. I regret that you were unable to attend the Banking Committee confirmation hearing on September 14, which would have given me the opportunity to respond to your concerns directly; however, I appreciate the opportunity afforded me to address your concerns in writing. My responses to your questions are enclosed.

Sincerely,

Philip Abrams
General Deputy Assistant Secretary
for Housing

Enclosure

GENERAL QUESTIONS

1. Why do you want to become Assistant Secretary for Housing/ FHA Commissioner?

Answer

I have spent my professional life in the field of housing, as a contractor and developer and, for the past 16 months, as a Federal administrator. Quite simply, I consider housing to be one of the elements most important to the well-being of American citizens. The position of Assistant Secretary for Housing offers an opportunity to work toward improving housing for our citizens and creating a climate in which our housing industry can function effectively to meet housing needs.

As General Deputy Assistant Secretary, I have found the work of this Office to be challenging, exciting and fulfilling. I am honored by the nomination and will welcome the chance to contribute to this important field at a time which demands the very best of each of us.

2. What do you hope to accomplish during your tenure as FHA Commissioner?

Answer

As FHA Commissioner, my goal will be to ensure the continued availability of mortgage credit to the housing market, particularly to homebuyers unserved or underserved by the private market. In addition, I will seek to improve FHA operations in terms of program cost-effectiveness and operational efficiency.

Of central importance today is making FHA responsive to changing market conditions, including uncertainties related to the future of the nation's lending institutions, future economic conditions, and mortgage financing. In this regard, there are two important roles for FHA: first, as a stabilizing influence on the market; and second, in the resumption of FHA's role as innovator in the market.

Of equal importance is the careful targetting of FHA's resources, given OMB credit ceilings and the existence in the market of a growing private mortgage insurance industry. In this targetting process, we must address the special needs of the nation's inner cities, and how FHA can best serve marginal-income and entry-level homebuyers, and project sponsors able and willing to improve the quality of the existing rental housing stock.

3. What steps would you recommend be taken by the Administration to help alleviate the severe housing crisis?

Answer

The housing crisis today is caused by inflation and its effects on mortgage interest rates, construction costs, and operating and utility expenses. I believe that these problems are symptomatic of the general economic situation, and can be solved only in concert with sustained economic recovery.

It is important to distinguish between the present housing crisis, as I've defined it, and the popular misconception that there is a severe housing shortage. Existing evidence indicates that Americans are better housed today than ever before. The growth of one-person households in recent years tends to confirm the increased availability of housing. Also, while the average household size has become smaller, housing consumption per household has increased.

In light of the above, our program response will be one which attempts to counter the adverse effects of inflation, both on prospective homebuyers unable to afford home purchase, and on lower-income families unable to afford decent housing.

4. What recommendations would you make to bring down interest rates -- and keep them down -- other than adhering to the President's Economic Recovery Program?

Answer

Let me answer this question in two ways.

First, fiscal restraint in the management and direction of HUD housing programs is part of the answer, and our current legislative and administrative initiatives reflect my personal commitment to this important objective.

Second, to the extent that high interest rates keep prospective homebuyers from realizing the American dream of homeownership, HUD is attempting to find ways to reduce costs for first-time homebuyers. One such program is our Graduated Payment Mortgage (GPM) program. This past year we have implemented, by regulation, several other programs, including a Growing Equity Mortgage (GEM) and Shared Equity Mortgage (SEM) which have effectively lowered the initial monthly mortgage payments of FHA homebuyers. Lastly, we've requested authority from Congress to insure Shared Appreciation Mortgages (SAMs). Of these, the GPM and SAM are capable of lowering initial monthly payments by as much as 20-30 percent.

5/6. Will you advocate policies to increase the supply of decent, safe and affordable housing to low- and moderate-income people who lack adequate shelter?

If so, what program mechanisms would you recommend to accomplish this?

Answer

Yes, we have already begun by proposing to the Congress legislation which, if enacted, will authorize a new Section 8 Modified Certificate program and a related Rental Rehabilitation program.

We believe that the primary housing problem of low- and moderate-income families is affordability. By making help available via the Modified Certificate program to families who need rental assistance, we expect to address the affordability issue while using the significant supply of standard rental housing available on the private market. In the short run, the demand for existing housing units which meet HUD standards for eligibility under the new program would act as an incentive to landlords and families to make repairs. In the long run, the standard housing stock would be better maintained as a result of annual inspections, thus preventing the loss of units from deterioration and lack of maintenance.

In addition, the new Modified Certificate program would cost much less on a per unit basis than did the Section 8 New Construction program. This lower comparative cost would enable us to assist almost twice as many families per tax dollar as was possible under the old program.

The proposed Modified Certificate program would be used in conjunction with the Rental Rehabilitation program to offer very low-income tenants the opportunity to lease rehabilitated units. Certificates would be allocated to State and local governments in the same proportion as the Rental Rehabilitation grants.

Finally, our Section 202 program will continue to be available to non-profit sponsors for the purpose of increasing the supply of rental units for our elderly and handicapped.

7. Many areas of the country are suffering from a lack of affordable multifamily rental housing. And in many of these same communities, recipients of section 8 certificates are unable to find decent housing because of very low vacancy rates. The Administration is on record opposing the continuance of new construction programs. How will housing vouchers or certificates help the people who are currently finding it difficult to find shelter even with the help of existing programs?

Answer

As part of its FY 1983 budget request, the Administration has proposed a new Rental Rehabilitation Grant Program designed to address the needs of communities where there are low vacancy rates in standard rental housing, and where there is a stock of rental housing suitable for rehabilitation. I believe that the Rental Rehabilitation Program can be of major benefit in making standard rental units available for families holding section 8 certificates in these communities.

I would note, in addition, that as interest rates come down, privately constructed rental housing will begin to be developed as well. Of course, I recognize the Congressional interest in supplementing these efforts with a new construction program targetted to those areas where units suitable for rehabilitation are not available or where localized rental shortage conditions exist. Whatever the outcome of authorizing legislation, I plan to work closely with the Congress to implement cost-effective, successful programs.

8. Do you believe that federal funds should be appropriated for any type of new construction program either for single or multifamily housing?

Answer

As you know, we have moved away from the expensive production programs operated in the past and have emphasized more efficient mechanisms to provide housing assistance to those in need. However, the fact that our FY 1983 budget request includes an appropriation of funds for new construction under the Section 202 program of housing for the elderly or handicapped is evidence that, where Federal funds are required to meet a specific housing need, I will and do support providing that assistance.

9. If so, under what conditions should federal funds be appropriated for single or multifamily housing?

Answer

Where there are specialized housing needs -- as in the case of Section 202 housing for elderly or handicapped people -- that are not met adequately by other governmental approaches to housing assistance or by the private sector without government assistance, I believe that appropriations for new construction can be considered, within the budget constraints that we all acknowledge.

10. Do you think that FHA insurance programs should be phased down or terminated? In so, in what manner?

Answer

FHA continues to play a vital and important role in the housing of American families and should not be terminated. This is particularly true today given the uncertainties associated with primary and secondary mortgage markets. There is no question that FHA is a stabilizing force in the present market, by ensuring mortgage credit availability through the combination of FHA mortgage insurance and GNMA, FNMA and FHLMC purchase of FHA-insured loans.

As importantly, FHA insurance is vital to first-time homebuyers, buyers with marginal incomes and buyers of properties located in older, inner-city neighborhoods. Program features, including the 3 percent downpayment, the inclusion of closing costs within the mortgage amount, and 100 percent insurance coverage, remain without parallel in the private sector.

Prepayment of Section 202 Loans

HUD's Policy

1. HUD recently accepted a prepayment of the 202 loan on the Concord Pasadena Project in Pasadena, California. I understand that you are actively involved in that process. HUD's policy concerning the prepayment of 202 loans could endanger the availability of decent, safe and affordable housing for many of this nation's elderly people. Was the decision to accept the prepayment of the Concord Pasadena loan the first time that HUD has decided to accept prepayment of a section 202 loan?

   Answer

   No. The Department permitted prepayment on the Rochford Terrace project, sponsored by the Kundic Center, Inc., in Detroit, Michigan, as of August 1, 1973.

2. If so, was there a former HUD policy governing prepayments of Section 202 project? What was that policy?

   Answer

   The Department did not have a formerly articulated policy with respect to prepayment of "old" Section 202 projects; i.e., projects funded under Section 202 of the Housing Act of 1959 prior to its amendment by the Housing and Community Development Act of 1974. The only statement of policy as such is gleaned from the loan documents which permitted prepayment only from excess project earnings remaining in the Revenue Fund at the end of a year. However, it was not intended that all loan prepayments would be prohibited, but only those which were not in the best interest of the government and were inconsistent with continued use as rental housing for the elderly and handicapped.

3. Has that policy been changed? Why?

   Answer

   The general policy has not been changed. Where acceptance of prepayment affords economic advantages to the Federal government, still protects the tenants of that Section 202 project and remains a housing resource we believe prepayment may be permitted. The Department believes its mission is to

assist families and not projects. We are generally of the view that those most in need of rental assistance are better served through the current Section 8 program for existing housing, or some other form of housing voucher, rather than by subsidizing projects and project owners.

4. If there was no policy, why were prepayments not accepted before?

Answer

Neither in the Michigan situation described in response to question 1 above, nor in the Concord/Pasadena instance, did HUD solicit prepayment. The decision to seek prepayment is an individual one made by the affected owners, not HUD.

5. What is your present policy concerning prepayments?

Answer

The Department's present policy is generally as stated herein. As a result of questions raised in connection with the prepayment of Concord/Pasadena the Department is developing a formal statement of policy and procedures to implement that policy.

6. What are the specific standards you will use to evaluate prepayment requests?

Answer

The underlying standards to be used in evaluating prepayment requests will be whether the prepayment is in the best interest of the government and that it assure that the rights of current tenants and that the housing remains a resource. Although no final decision has been made we fully expect the criteria for evaluating requests for prepayment to include consideration of the physical and financial condition of the project, need for continued use of the project as 202 housing, availability of replacement housing at affordable rents, and that appropriate arrangements are made for life tenancy, or, at the tenants choice, relocation, including payment of moving expenses, if required.

The Concord Pasadena Transaction

1. What were your specific reasons for approving prepayment of the Concord Pasadena?

Answer

The decision to approve prepayment was made, in part, because the owners represented to us that their motive was to be able to operate the project for the primary benefit of members of the sponsoring organizations congregation without being bound by HUD's rental regulations. They also guaranteed life tenancy to current occupants. Other factors which influenced the decision include the opportunity to relieve the government of its obligation to underwrite, at substantial cost to the government, a low interest rate loan to the owners. The government received payment of $1,727,000 for a 3 percent mortgage with a present value of $556,700 for a net return to the treasury of almost $1.2 million.

2. Did you determine whether there was a need for the project's low-rent units in the Pasadena area?

Answer

The Department did not make a specific finding of need for the project's low-rent units in the Pasadena area. Permitting prepayment of Concord was not intended to remove 150 units of low-rent housing from the inventory of housing in Pasadena. We have provided 150 units of Section 8 Existing Housing subsidy which adds housing assistance for 150 lower income families in the Pasadena area.

3. Did you consult with any officials from the City of Pasadena concerning their position on the prepayment proposal?

Answer

There was no prior consultation with the City of Pasadena officials.

4. Did the City of Pasadena indicate that there was no longer a need for low-cost elderly units in the area?

   (a) Did the HUD Los Angeles Area Office indicate that there was no longer a need for the project?

   (b) Did you ever give notice to the project's tenants and give them an opportunity to comment on the prepayment proposal?

   (c) Has HUD issued a notice that Section 202 loan funds for new projects are available in the Los Angeles area?

Answer

Since there was no consultation with the City of Pasadena before accepting prepayment there was no indication from the City of Pasadena as to need for low-cost elderly units in the area.

(a) There was no consultation with the Los Angeles Area Office before the decision to accept prepayment was made other than to ascertain the tenant subsidies on the project.

(b) The tenants were not notified by HUD of the owners request for prepayment.

(c) A notice was published by the Los Angeles Area Office inviting proposals from Section 202 sponsors for projects to be financed using FY-82 funds.

5. Is the Concord Pasadena classified as a "troubled" project in serious financial difficulty?

Answer

The Concord project was not classified as financially troubled. According to our records the Concord loan was current at the time of prepayment.

6. If so, what other methods aside from prepayment did you consider to resolve the project's problems?

Answer

Not applicable

7. Did you consider the prospect of a $1.7 million return to HUD as the primary reason for accepting the prepayment?

Answer

The prospect of receiving full payment of $1,727,000 for a loan with a present value of $556,700 was a consideration but not the primary consideration. Our primary consideration was that notwithstanding the prepayment the owners had committed themselves to providing the current occupants the right to remain in residence until they voluntarily moved or died.

8. Was termination of the rent supplement contract a major consideration in your decision?

(a) If so why?

(b) Isn't HUD making additional Section 8 subsidies available to the projects that have a higher subsidy cost per unit due to the lifting of the rent restrictions?

(c) What is the net savings to HUD from the provision of Section 8 compared to the recapture of rent supplement?

(d) Does this mean that HUD will favor prepayment requests from Section 202 projects that have rent supplements?

Answer

Termination of the rent supplement contract was not a major consideration in the decision to accept prepayment.

(a) Although cancellation of the rent supplement contract was not a major consideration certainly it was one of the elements considered in making the ultimate decision. In addition we had been erroneously advised by the Los Angeles Area Office that 90 tenants received Section 8 Loan Management set aside subsidy.

(b) Yes. However, the total cost of the Section 8 is less than the Rent Supplement. Also, per (a) above, when we made the deal, we were acting on information that the remaining 90 units were already receiving Section 8 assistance.

(c) The net savings to HUD is $450,500 as explained in greater detail in the Cost Comparison Analysis, attached.

(d) As we have previously indicated, each request for prepayment will have to be evaluated and judged on its individual merits, not merely on whether it is more cost effective to provide Section 8 rather then Rent Supplement assistance.

As you know, Congress has approved the conversation of all insured Rent Supplement units to Section 8.

9. Who did you consult with prior to your decision to accept the prepayment? Your superiors at HUD? Other HUD staff? Any members of Congress?

Answer

The Secretary was aware of the request to prepay and has been kept abreast of developments. Housing staff as well as members of the Office of General Counsel were also involved in the process. We did not communicate with Congress prior to reaching a decision though we understand individual members of Congress were aware of the owner's request before the transaction was fully consumated.

10. In an appearance on July 22nd before the House Aging Committee's Subcommittee on Housing and Consumer Interest you said that as a result of an "administrative error in HUD" the existing note on the project was cancelled and the mortgage satisfied of record before the owners signed an agreement guaranteeing existing tenants life tenancy until such time as they move voluntarily or die. I understand the owner subsequently objected very strenuously to entering into any such agreement. Please explain in detail how such a serious "administrative error" could occur and the steps you have taken to ensure that such errors are not repeated in the future. Has the owner now entered into an agreement with HUD? If so, please provide a copy of the agreement. If not, what steps is HUD taking to ensure that the tenants are protected?

Answer

The owners provided the Department with their written statement of intent to provide the current tenants life tenancy which we considered binding on them since it was in the form of a resolution duly adopted by unanimous vote of the governing body. Our letter of March 23 accepting the offer of prepayment established the terms of prepayment including execution of an Agreement in a form acceptable to HUD. We did not anticipate resistence by the owners to compliance with terms offered by them; i.e., life tenancy for current occupants. We expected to execute the Agreement when the Section 8 assistance contract was signed.

To assure that there will not be a repetition of the administrative error in future cases the Department is proposing a formalized procedure for handling prepayment of HUD loans.

HUD and the owners have been enjoined by the Court, in the action styled Gordon, et al v. HUD, Pierce, et al. from executing the Agreement or "taking any further action to approve of, complete, or implement" the prepayment.

HUD will take whatever action is necessary to enforce the written committment of the owners to guarantee life tenancy to the present occupants.

11. If asked by the owners of the Concord Pasadena would you recommend the reinstatement of the 202 loan? How much would it cost to reinstate?

Answer

As I indicated in my statement to the House Aging Committee's Subcommittee on Housing and Consumer Interest, on July 22, 1982, and in response to questions by the Chairman, the Department is willing to reinstate the Section 202 loan on the basis of mutual misunderstanding. The cooperation of the owners in any such undertaking is paramount. Our latest information indicates that the owners have borrowed $2.4 million against the Project and that amount represents the outside limits of our exposure at this time.

12. If the 202 is reinstated will the reinstatement prejudice any 202 applications now pending at HUD for the Pasadena area?

Answer

No.

The Karem Memo

1. Are you aware of a memorandum from Michael G. Karem, Deputy Assistant Secretary for Multi-Family Housing Programs, to you, which discusses the subject of prepayments of all Section 202 loans?

Answer

Yes. Copies of that memorandum have been furnished the Committee on Aging's Subcommittee on Housing and Consumer Interest and your staff.

2. Are you aware of the recommendations of that memorandum that prepayments be accepted only when there is no need for the units or when the project suffers from serious financial deterioration and there is no other cure?

Answer

Yes. Recommendations included in that memorandum as well as other suggestions by Housing staff are being considered in the development of an overall policy to be applied to prepayment of any HUD multifamily housing loans.

3. Did you evaluate the prepayment of the Concord Pasadena in light of those standards? It not, why? If so, please indicate how approval of the prepayment was consistent with the suggested standards.

Answer

No. The Karem memo was developed after the decision to accept prepayment and was, in fact, in response to recognition that if there were to be additional prepayments the Department should establish standards and criteria upon which to evaluate requests for prepayment.

4. Have you received other written policy recommendations on this subject from other HUD staff?

Answer

No. Housing staff is currently developing options which will be placed in Departmental clearance and will ultimately result in the final standards and criteria to be used in evaluating requests for prepayment.

Concord

CONCORD PASADENA

COST COMPARISON ANALYSIS

The following is an analysis of the fiscal soundness of HUD's acceptance of the prepayment of the Section 202 loan on Concord Pasadena and an analysis of the additional costs of the subsidy resulting in the transaction.

Background. The project was financed under HUD's Section 202 Direct Loan Program with a 3% interest loan of approximately $2 million for a period of 50 years. The project consists of 150 units; 60 of which were subsidized through the Rent Supplement program. The funds required to prepay the loan were received by HUD on March 25, 1982. At that time, 36 years were remaining on the original loan. Since the Rent Supplement contract terminated with the prepayment of the loan, instructions on converting all the tenants to the Section 8 Existing Housing Program were subsequently forwarded to the Los Angeles Area Office on May 25, 1982.

A. Savings Realized in the Prepayment of the Loan. Assuming the government's cost of borrowing money was 13.8% on the date of prepayment; the present value of the $1,727,000 note at 3% is calculated at $565,000. Since HUD received full payment of the outstanding balance, the net savings realized totals $1,162,000.

$1,727,000	prepayment at par
- $565,000	present value of loan
$1,162,000	net savings to HUD

B. Subsidy Analysis. While the prepayment of the loan automatically cancelled the 60 units of Rent Supplement assistance, HUD agreed to provide Section 8 Existing Housing Certificates to all 150 of the present tenants with the caveat that the owner would permit the tenants to remain in the project with their Certificates at the Fair Market Rent level.

An analysis as to whether the present value of the additional Section 8 assistance is greater than the savings realized on the prepayment is shown below. This analysis is based on the assumption that our actual outlays under both the Rent Supplement and Section 8 Existing Housing Program are substantially identical since the formula for calculating rents under both programs are similar. Based on available information, we estimated an outlay assumption of $99 per unit/per month with a 5% annual increase. Since the tenant's share of the rent is unknown, we cannot pinpoint the exact contract and budget authority.

1. Rent Supplement. Annual usage for 60 units of Rent Supplement totals $71,304. This figure multiplied by the remaining term of the loan (36 years) shows budget authority of approximately $2,566,944. The present value of these 60 units of Rent Supplement based on the government's borrowing costs of 13.8% totals $784,000.

$ 71,304	annual Rent Supplement usage
x 36	remaining years of loan
$2,566,944	budget authority

Present value of 60 units of Rent Supplement based on 13.8% borrowing cost = $784,000.

2. Section 8 Existing Housing Program. Annual contract authority for up to 150 units of Section 8 Existing Housing totals $588,600. This figure multiplied by the term of the Section 8 contract (15 years) shows budget authority in the amount of $8.829 million. The present value of the 150 units of Section 8 based on our borrowing costs of 13.8% equals $1,495,500.

$588,600	annual contract authority
x 15 yrs.	term of contract
$8.829 million	

Present value of 150 units of Section 8 based on 13.8% borrowing cost = $1,495,500.

Conclusion. The difference between the present value of subsidizing 150 units of Section 8 Existing at $1,495,500 as opposed to 60 units of Rent Supplement for 36 years at $784,000 equals $711,500. Comparison of this subsidy difference of $711,500 with the net savings realized from the prepayment of the loan ($1,162,000), shows that the Department's acceptance of the prepayment results in a savings of $450,500.

$1,495,500	present value of Section 8 assistance at 150 units for 15 years
- 784,000	present value of 60 units of Rent Supplement assistance through remaining term
$ 711,500	subsidy difference

$1,162,000	net savings realized from prepayment of loan
- 711,500	subsidy difference
$ 450,500	savings to government through prepayment of loan

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY FOR
HOUSING - FEDERAL HOUSING COMMISSIONER

SEP 17 1982

IN REPLY REFER TO:

Honorable Jim Sasser
United States Senate
Washington, D.C.

Dear Senator Sasser:

I am writing in response to the statement and questions delivered by your staff at the September 14, 1982 hearing by the Senate Committee on Banking, Housing and Urban Affairs on my nomination to be Assistant Secretary for Housing- Federal Housing Commissioner of the Department of Housing and Urban Development.

Attached are answers to the questions falling within the jurisdiction of the Office of Housing. The questions relating to the Department's field reorganization proposal come under the responsibility of the Deputy Under Secretary for Field Coordination. Accordingly, I have brought those questions to his attention and have been assured that an expeditious response will be prepared and provided to your office.

Very truly yours,

Phillip Abrams
General Deputy Assistant Secretary-.
Deputy Federal Housing Commissioner

Enclosure

ANSWERS TO SENATOR SASSER'S QUESTIONS RELATING TO THE NOMINATION OF PHILIP ABRAMS TO BE ASSISTANT SECRETARY FOR HOUSING-FH COMMISSIONER

(a) What steps does this Administration intend to take, or do you propose to offer, to get the housing industry out of this mess?

The current economic condition of the housing industry is largely due to double digit inflation and high interest rates of the past few years. The President's Economic Recovery Program is designed to bring down both interest rates and inflation. Already indicators show the housing industry is turning around and, as mortgage interest rates continue to fall, HUD's efforts to promote deregulation, local and federal, and our FHA proposals, included in the Senate authorization bill, will reinforce the upturn.

(b) What evidence do you have to suggest that the housing industry will recover in the near future?

The FHA report for August 1982 confirms that the single family housing industry is recovering:

A. The 13 month moving average increased for the third straight month; the annual rate of change curve has shown plus changes for five months in a row.

B. FHA applications increased 12.3% over July 1982 and 31.6% over August 1981.

C. Proposed construction was up 18.3% over August 1981.

D. Existing home activity was up 11.3% over July 1982 and 26.2% over August 1981.

(Answers to Questions 1-3 on field reorganization are being prepared by the Deputy Under Secretary for Field Coordination.)

Answer to Question 4:

Can you indicate to the Committee whether there will be any allocation of discretionary Section 8 funds between now and end of this fiscal year?

The Department is attempting to fund all of the Section 8 amendment needs in the pipeline as provided in the recently enacted FY 1982 Supplemental Appropriations bill. Our apportionment from OMB requires us to allocate these funds on a project specific basis. We are also funding projects to honor previous commitments as well as projects under the 202 program.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY FOR
HOUSING - FEDERAL HOUSING COMMISSIONER

September 20, 1982

IN REPLY REFER TO:

Honorable Jim Sasser
United States Senate
Washington, D.C. 20510

Dear Senator Sasser:

In a letter written to you earlier today, I noted that some of your questions submitted to me after the confirmation hearing were within the purview of the Deputy Under Secretary for Field Operations. Enclosed are responses prepared by that office.

I hope you will find this additional information helpful.

Very truly yours,

Philip Abrams
General Deputy Assistant Secretary-
Federal Housing Commissioner

Question: Why did not the Department provide an analysis of the option to staff the Nashville Service office to match the workload?

One of the goals of the field reorganization is to reduce costs and managerial and support overhead. In the case of the State of Tennessee, total multifamily workload does not justify the existence of two multifamily operations. The Department, in consideration of this fact, conducted a Cost/Benefit Analysis which compared the cost of creating an Area office in Nashville with that of moving Multifamily operations from Nashville to Knoxville. As the analysis clearly demonstrates, the costs of the Nashville option would exceed the savings in the amount of $582,000 over a two year period. This option was rejected in favor of eliminating Multifamily operations from Nashville because it will result in savings of $276,000 over the same period.

Other options such as moving only Multifamily functions from Knoxville to Nashville were not considered because it would result in the creation of a new class of office in Knoxville (e.g., CPD, Single Family, FHEO, and support functions). This would be contrary to the Department's philosophy of organizational consistency. Additionally, separation of Multifamily Housing from its support functions would be unsound managerially.

In summary, there is not justification for two Multifamily offices in the State of Tennessee either in terms of existing or projected workload or geographic area.

Question: Does not the number of positions that would exist in the Knoxville office exceed the number of positions that are used in Cost/Benefit Analysis?

The direct answer to this question is no. Currently, the Knoxville office has 69 people on-board in Housing. However, the Knoxville office is authorized only 56 positions under the current configuration. This means that the Knoxville office is 13 positions over ceiling.

Under the proposed organization (transfer Multifamily from Nashville to Knoxville), the Knoxville office for Housing would be authorized 98 positions. It is assumed that 42 employees would be offered a transfer of function from Nashville to Knoxville of which 21 employees would accept. The 21 employees which move, plus the 69 employees currently on-board in Knoxville, would equal a total of 90. This is 8 positions under the 98 proposed for Housing in Knoxville following the transfer.

Question: Why were the obvious increased costs to the Federal Government, primarily increased travel and communication costs omitted from the Cost/Benefit Analysis?

The Department takes strong exception to your statement that increased travel and communication costs were not factored into the Cost/Benefit Analysis. Information provided to Senator Sasser's office clearly indicates that an estimated annual increase of $33,000 would be incurred. This amount reflects the projected increase in travel costs resulting from moving part of the multifamily housing staff further from some areas in which travel is required.

As the Cost/Benefit Analysis clearly shows, the estimated savings of $276,030 would be achieved as a result of organizational change. This potential savings includes consideration of increased travel costs.

There would be no increased communication costs to the Federal Government because the Department is billed on "length of time" basis for phone calls rather than distance. The Department accepts Senator Sasser's position that some HUD clients travel and communication costs would be increased as a result of this move. The Cost/Benefit Analysis is based strictly on savings to the government. It should also be noted that the Department's ongoing efforts to deregulate and simplify procedural and process requirements will reduce the necessity for HUD clients to travel.

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